The Indian Foundry Industry: Opportunity for US companies

Overview
The Indian foundry is experiencing a rapid growth driven by increasing domestic demand in automotive, power, textiles, and electrical sectors. India is fourth largest producer of casting components, and has doubled casting capacity to 7 million MT since year 2002. The industry is fragmented with more than 5,000 players in the industry employing more than 500,000 persons and generating 1.5 million indirect employments. There are five geographic clusters Belgaum, Batala/ Jalandhar, Coimbatore, Kolhapur and Rajkot.

Foundry Industry comprises large number of small players and 32% of the casting components are used in auto industry and remaining into electrical and engineering sectors. Our primary market assessment suggests majority of players are expanding their manufacturing capabilities and surge in automotive industry and other manufacturing activities driving these expansion plans. New facilities are focusing on state-of-the-art machines, new technology and automation.

Auto industry is the driving industry for casting components, and similarly foundry industry is vital for sustainable growth in auto and other engineering sectors. Indian auto industry is 7th largest in the world and 4th largest exporter in Asia. Global brands are tapping India’s expertise in manufacturing small, fuel efficient and low cost cars along with strong engineering base. In 2010-11, India estimated to have exported US$ 5bn worth of auto components and figure is estimated to touch US$ 30bn by 2020.
Then there are several premium cars are manufactured in India such as Audi, Bentley, BMW, Chevrolet, Lamborghini, Mercedes, Rolls Royce, Volkswagen. These companies are consolidating their operations and vendor base, global casting and component companies trending to follow their customers to destinations like India. Country offers several operational advantages to casting and component manufacturing companies.

Foundry industry is labor intensive and labor costs in India are some of the lowest in the world. Fresh engineering graduate from tier I & II institute can be hired at US$ 6,000 per annum while unskilled and semi-skilled labor costs as low as US$ 100 per month. Also constructing and registering new casting facilities are quicker and cost effective. Regulations governing Environment, Health and Safety for foundries are nearly non-existent, and cost of dies and tooling are significantly lower than in developed countries, although tooling quality may not be as good.

As per industry associations, casting production capacity to touch 10 million MT by 2012, and additional investment of US$ 2bn required to achieve this growth. Opportunity in domestic as well as export market makes hi-tech foreign players to collaborate with local manufacturers. There is a possibility of technology collaborations to bring local suppliers up the value chain and cater to newer markets.
About IMaCS Virtus Global Partners

IMaCS Virtus Global Partners, Inc. (IVG Partners) offers advisory services to North American companies and private equity funds seeking India related growth, investment and sourcing opportunities. Our mission is to enable our clients to transform their business by adding India as a key part of their global footprint. Our clients benefit from our local presence, strong relationships, knowledge of local business practice, experience and financial expertise.

We provide India related Strategy & Roadmap Consulting, Partner/ Target Search, Operation Setup & Support, Cross-border M&A Advisory, Project/ Bid Advisory and Transaction Advisory services.

Our team possesses a deep understanding of the business environment both in the US and India and is well connected with companies, financial institutions, governmental agencies, and private equity firms in both markets.

We have an established track record of over 15 years and 900 engagements providing advisory services to a diversified client base across manufacturing, infrastructure, energy, technology, industrial commodities, and retail. We also work with multilateral and bilateral government agencies, banks & financial institutions, and regulators. We are headquartered in New York with eight offices in India.

Our Services
Our Representative Experience

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- Business feasibility and India entry strategy for a leading North American Bank for the mortgage finance business in India
- Market analysis and Product pricing strategy for launch of commercial vehicles in India by a global OEM.
- Financial evaluation of vendors for an international automobile company setting up a joint venture in India.
- Formulating an India entry strategy and business plan for a global monoline insurance company.
- Market study and Commercial viability assessment for setting up a 150 MW Lignite Based Power Project in India for an international developer of power projects.
- Formulating an India entry strategy for a leading global bank.
- Assessment and Due diligence of joint venture partner for an international power project investor
- Market Assessment of commercial vehicles gearbox and seatbelts in India for a leading international auto-component manufacturer.
- Financial assessment and valuation of India based utility companies for an international strategic investor seeking acquisition of stake in a State Owned Public Sector Utility

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